



Montana Department of Transportation
PO Box 201001
Helena, MT 59620-1001

MEMORANDUM

To: See Distribution
From: Kevin Christensen, P.E.
Construction Engineer
Date: June 4, 2007
Subject: Supplemental Specification Revision: 104.08 Value Engineering Proposals

The Construction Administration Services Bureau is proposing revisions to Standard Specification, 104.08 Value Engineering Proposals. Following the Standard Specification Revision Process outlined in the Construction Engineer's Memorandum dated January 9, 2002 the following information is provided.

1. Standard Specification, 104.08 will be modified.
2. The Proposed Draft of the change is attached along with this memorandum.
3. Revision to the Standard Specification is needed to ensure the specification follows the guidelines for payment of costs incurred during the review of VE proposals.
4. Those impacted by the change include:
Contractors, Construction
5. The following individuals were consulted and/or involved in developing the proposed revisions:
CES Bureau, Construction

*It is requested that written comments on **the proposed revisions only**, be returned to mdtspecifications@mt.gov no later than July 5, 2007.*

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104.08 VALUE ENGINEERING PROPOSALS

Cost savings generated on the contract from cost reduction proposals offered by the Contractor and approved by the Department will be shared.

The Contractor is encouraged to submit proposals for modifying the contract that reduces the total cost of construction. The cost reduction proposal must not impair the essential functions or characteristics of the project including but not limited to service life, economy of operation, ease of maintenance, reliability, desired appearance, and safety.

Submit the proposal in writing and include the following information:

1. A description of both the existing work and proposed changes for performing the work with a discussion of the comparative advantages and disadvantages;
2. An itemization of the necessary changes to the contract if the proposal is accepted;
3. A detailed cost estimate for performing the work under the existing contract and under the proposed change detailing quantities and dollar amounts for each work item;
4. An estimate of the effect the proposed changes would have on other costs to the Department;
5. A time frame within which the Department must make a decision;
6. The dates, project numbers and the action of the Department if the proposal was previously submitted; and
7. A statement of the effect implementation of the proposal would have on the contract completion time.

The Department is not required to consider a proposal or be liable to the Contractor for failure to accept or act on a proposal submitted under this specification including delays to the work attributable to the proposal. Proposals that are similar to a change in the contract that are under consideration or have been adopted by the Department before the submittal will not be accepted. The Department reserves the right to make these changes without compensation to the Contractor.

Continue to perform the work according to the contract requirements until the Department has taken final action on the proposal. Consider the proposal rejected if the Department's final decision is not received within the time frame specified in the Contractor's submittal.

The Department will determine the acceptability and the estimated net savings in construction costs from the adoption of all or part of a proposal. The Department will disregard the contract unit prices if these prices do not represent a fair measure of the value of work to be performed or to be deleted. The Department's costs for reviewing and implementing proposals including any increased costs to the Department resulting from its application will be deducted from the total estimated cost saving to arrive at the net savings.

Costs incurred by the Department during the Preliminary Review stage will not be charged to the Contractor. If the proposal is advanced to the Detailed Review stage, costs incurred by the Department during the Detailed Review stage will be shared equally by the Department and the Contractor. The submittal of a formal proposal constitutes the Department's authority to deduct these costs from any monies due or that may become due to the Contractor under the contract.

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Proposals accepted by the Department in whole or in part will be by a change order. The change order will incorporate the changes in the contract necessary to implement the proposal and will include any conditions placed on the approval by the Department. The change order will establish the estimated net savings in the cost of performing the work attributable to the proposal and provide for payment of 50 percent of the estimated net savings to the Contractor.

Acceptance of proposals does not extend the contract time unless specifically provided for in the change order.

The payment amount specified in the change order constitutes full compensation to the Contractor for the proposal and the performance of the work.

The Department reserves the right to apply a proposal for general use on other contracts administered by the Department. When an accepted proposal is applied for general use, only the Contractor who submitted the initial proposal is eligible for compensation and this compensation applies only to those contracts awarded to the Contractor before submission of the accepted proposal. Proposals that are identical or similar to previously submitted proposals are eligible for consideration and compensation under this specification if the proposals were not previously adopted for use in other contracts administered by the Department. Subject to these provisions, the Department reserves the right to use all or any part of any submitted proposal without obligation or compensation to the Contractor.

This specification applies only to the Contractor awarded the contract. No consideration will be given to, and no payment made for any claims for additional compensation for changed conditions that are attributable to the approved proposal.